



## Senate

General Assembly

**File No. 482**

February Session, 2014

Substitute Senate Bill No. 369

*Senate, April 10, 2014*

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

### **AN ACT CONCERNING CHANGES TO DEPARTMENT OF REVENUE SERVICES STATUTES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 12-7a of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective July 1, 2014*):

3 (a) (1) The annual report prepared by the Commissioner of Revenue  
4 Services for submission to the Governor and publication as provided  
5 in section 4-60 shall not be required to include the name of any person  
6 liable for payment of any tax which is unpaid. The commissioner shall  
7 prepare and maintain a list related to each type of tax levied by the  
8 state, containing the name and address of any person or corporation  
9 liable for payment of any such tax and the amount thereof, including  
10 any applicable interest or penalties, which tax, as of the end of the  
11 fiscal year with respect to which such report is prepared, is unpaid and  
12 a period in excess of ninety days has elapsed following the date on  
13 which such tax was due, exclusive of any tax determined to be

14 uncollectible in accordance with section 12-37, any tax on which an  
15 appeal is pending and any tax which has been abated by said  
16 commissioner as provided in section 12-39. Such lists shall be available  
17 to the public for inspection by any person.

18 (2) The commissioner shall, prior to eliminating any person or  
19 corporation from the list prepared and maintained as provided in  
20 subdivision (1) of this subsection, indicate on such list whether such  
21 person or corporation is being eliminated from such list due to (A)  
22 payment in full of the tax, including applicable interest or penalties, (B)  
23 a negotiated settlement of the amount of tax due, or (C) a  
24 determination by the commissioner that such tax is uncollectable.

25 (b) The commissioner shall annually prepare, from the list prepared  
26 pursuant to subsection (a) of this section, a list of taxpayers who are  
27 delinquent in the payment of the corporation business tax under  
28 chapter 208. The list shall be arranged in sequential order by the  
29 taxpayer identification number assigned by the commissioner and  
30 shall be provided to the Secretary of the Office of Policy and  
31 Management not later than July fifteenth annually, commencing July  
32 15, 1998.

33 (c) The commissioner may make available for public inspection a list  
34 of those persons who have applied to the commissioner for a license,  
35 permit or certificate and whose application has been denied, and those  
36 persons who were issued a license, permit or certificate by the  
37 commissioner and whose license, permit or certificate has been  
38 revoked, suspended or not renewed by the commissioner. The list shall  
39 be arranged by tax type and may include the date on which an  
40 application was denied or the date on which the license, permit or  
41 certificate was revoked, suspended or not renewed, and may include  
42 the reason for each such action.

43 Sec. 2. Section 12-414 of the general statutes is repealed and the  
44 following is substituted thereof (*Effective October 1, 2014*):

45 [(1)] (a) The taxes imposed by this chapter are due and payable to

46 the commissioner monthly on or before the [last] twentieth day of the  
47 month next succeeding each monthly period except that (1) every  
48 person whose total tax liability for the twelve-month period [ended]  
49 ending on the preceding June thirtieth was less than four thousand  
50 dollars shall [file returns] remit tax on a quarterly basis, and (2) every  
51 person described in subdivision (2) of subsection (e) of this section  
52 shall remit tax as prescribed by the commissioner under said  
53 subdivision (2). "Quarterly" means a period of three calendar months  
54 commencing on the first day of January, April, July or October of each  
55 year or, if any seller commences business on a date other than the first  
56 day of January, April, July or October, a period beginning on the date  
57 of commencement of business and ending on March thirty-first, June  
58 thirtieth, September thirtieth or December thirty-first, respectively.

59 [(2)] (b) On or before the [last] twentieth day of the month following  
60 each monthly or quarterly period, as the case may be, or on the date or  
61 dates prescribed by the commissioner under subsection (e) of this  
62 section, a return for the preceding period shall be filed with the  
63 commissioner in such form as the commissioner may prescribe. For  
64 purposes of the sales tax a return shall be filed by every seller. For  
65 purposes of the use tax a return shall be filed by every retailer engaged  
66 in business in the state and by every person purchasing services or  
67 tangible personal property, the storage, acceptance, consumption or  
68 other use of which is subject to the use tax, who has not paid the use  
69 tax due a retailer required to collect the tax, except that every person  
70 making such purchases for personal use or consumption in this state,  
71 and not for use or consumption in carrying on a trade, occupation,  
72 business or profession, need file only one use tax return covering  
73 purchases during a calendar year. Such return shall be filed and the tax  
74 due thereon paid on or before the fifteenth day of the fourth month  
75 succeeding the end of the calendar year for which such return is filed.  
76 Returns shall be signed by the person required to file the return or by  
77 his or her authorized agent but need not be verified by oath, provided  
78 a return required to be filed by a corporation shall be signed by an  
79 officer of such corporation.

80 [(3)] (c) For purposes of the sales tax, the return shall show the gross  
81 receipts of the seller during the preceding reporting period. For  
82 purposes of the use tax, in case of a return filed by a retailer, the return  
83 shall show the total sales price of the services or property sold by [him]  
84 the retailer, the storage, acceptance, consumption or other use of which  
85 became subject to the use tax during the preceding reporting period; in  
86 case of a return filed by a purchaser, the return shall show the total  
87 sales price of the service or property purchased by [him] the purchaser,  
88 the storage, acceptance, consumption or other use of which became  
89 subject to the use tax during the preceding reporting period. The  
90 return shall also show the amount of the taxes for the period covered  
91 by the return in such manner as the commissioner may require and  
92 such other information as the commissioner deems necessary for the  
93 proper administration of this chapter. The Commissioner of Revenue  
94 Services is authorized in his or her discretion, for purposes of  
95 expediency, to permit returns to be filed in an alternative form wherein  
96 the person filing the return may elect to report his or her gross receipts,  
97 including the tax reimbursement to be collected as provided for  
98 [herein] in this section, as a part of such gross receipts or to report his  
99 or her gross receipts exclusive of the tax collected in such cases where  
100 the gross receipts from sales have been segregated from tax collections.  
101 In the case of the former, the percentage of such tax-included gross  
102 receipts that may be considered to be the gross receipts from sales  
103 exclusive of the taxes collected thereon shall be computed by dividing  
104 the numeral one by the sum of the rate of tax provided in section 12-  
105 408, expressed as a decimal, and the numeral one.

106 [(4)] (d) Returns, together with the amount of the tax due thereon,  
107 shall be filed with the Commissioner of Revenue Services.

108 [(5)] (e) (1) The commissioner, if he or she deems it necessary in  
109 order to insure payment to or facilitate the collection by the state of the  
110 amount of taxes, may permit or require returns and payment of the  
111 amount of taxes for other than monthly or quarterly periods.

112 (2) (A) For purposes of this subdivision, "weekly period" means the

113 seven-day period beginning on a Saturday and ending the following  
114 Friday. The commissioner may require any person who is delinquent,  
115 as described in section 12-7a, as amended by this act, to remit the tax  
116 collected during a weekly period on a weekly basis. Any person who is  
117 required to remit tax for a weekly period shall remit such tax to the  
118 commissioner on or before the Wednesday next succeeding the weekly  
119 period and shall do so in the manner and method prescribed by the  
120 commissioner. The requirement to remit tax on a weekly basis shall not  
121 alter a person's obligation to file monthly or quarterly returns, as the  
122 case may be, as provided in subsection (b) of this section. To the extent  
123 that the end of one month and the beginning of the following month  
124 may fall within the same weekly period, each person required by the  
125 commissioner to remit tax under this subparagraph shall report all of  
126 the tax collected and remitted during such weekly period, regardless  
127 of the month, along with the corresponding gross receipts, on the  
128 return covering the monthly period that ended during such weekly  
129 period.

130 (B) The commissioner shall send a written notice, in accordance  
131 with the provisions of section 12-2f, informing each person required to  
132 remit tax on a weekly basis pursuant to this subdivision of such  
133 requirement. Any person so required shall remit tax on a weekly basis  
134 for a period of one year commencing from the date set forth in such  
135 notice. Such notice shall also contain information regarding the  
136 manner and method of such remittal.

137 (C) Any person who fails to remit tax as provided in this  
138 subdivision shall be subject to all penalties imposed under this chapter,  
139 including revocation of such person's permit.

140 [(6) The] (f) Except for returns and payments required to be made  
141 under subdivision (2) of subsection (e) of this section, the  
142 commissioner for good cause may extend the time for making any  
143 return and paying any amount required to be paid under this chapter,  
144 if a written request therefor is filed with the commissioner together  
145 with a tentative return which must be accompanied by a payment of

146 the tax, which shall be estimated in such tentative return, on or before  
147 the last day for filing the return. Any person to whom an extension is  
148 granted shall pay, in addition to the tax, interest at the rate of one per  
149 cent per month or fraction thereof from the date on which the tax  
150 would have been due without the extension until the date of payment.

151       Sec. 3. (NEW) (*Effective from passage*) (a) The Commissioner of  
152 Revenue Services shall enter into agreements with financial  
153 institutions, as defined in Section 469A(d)(1) of the Social Security Act,  
154 as amended from time to time, doing business in this state, to develop  
155 and operate a data match system using automated data exchanges to  
156 the maximum extent feasible. Notwithstanding the provisions of  
157 section 12-15 of the general statutes, the commissioner shall provide to  
158 each financial institution a list of taxpayers who owe taxes to the state,  
159 which taxes are finally due and payable and with respect to which  
160 every administrative or judicial remedy, or both, has been exhausted  
161 or has lapsed. Such list shall include each taxpayer's address, Social  
162 Security number or other taxpayer identification number. Not later  
163 than ninety days after receipt of such list from the commissioner, each  
164 financial institution shall provide the commissioner with the names of  
165 those taxpayers who appear on the commissioner's list who maintain  
166 an account with such financial institution, the address and Social  
167 Security number or other taxpayer identification number associated  
168 with each such account and a statement as to whether the balance of  
169 each such account exceeds one thousand dollars. For the purposes of  
170 this section, "account" means a demand deposit account, checking or  
171 negotiable withdrawal order account, savings account, time deposit  
172 account or money market mutual fund account.

173       (b) A financial institution shall not be liable to any person for (1)  
174 disclosing information to the Commissioner of Revenue Services  
175 pursuant to this section, or (2) any other action taken in good faith to  
176 comply with the requirements of subsection (a) of this section.

177       Sec. 4. Subdivision (10) of subsection (a) of section 12-701 of the  
178 general statutes is repealed and the following is substituted in lieu

179 thereof (*Effective from passage and applicable to taxable years commencing*  
180 *on or after January 1, 2014*):

181 (10) "Connecticut fiduciary adjustment" means the net positive or  
182 negative total of the following items relating to income, gain, loss or  
183 deduction of a trust or estate: (A) There shall be added together (i) any  
184 interest income from obligations issued by or on behalf of any state,  
185 political subdivision thereof, or public instrumentality, state or local  
186 authority, district or similar public entity, exclusive of such income  
187 from obligations issued by or on behalf of the state of Connecticut, any  
188 political subdivision thereof, or public instrumentality, state or local  
189 authority, district or similar public entity created under the laws of the  
190 state of Connecticut and exclusive of any such income with respect to  
191 which taxation by any state is prohibited by federal law, (ii) any  
192 exempt-interest dividends, as defined in Section 852(b)(5) of the  
193 Internal Revenue Code, exclusive of such exempt-interest dividends  
194 derived from obligations issued by or on behalf of the state of  
195 Connecticut, any political subdivision thereof, or public  
196 instrumentality, state or local authority, district or similar public entity  
197 created under the laws of the state of Connecticut and exclusive of  
198 such exempt-interest dividends derived from obligations, the income  
199 with respect to which taxation by any state is prohibited by federal  
200 law, (iii) any interest or dividend income on obligations or securities of  
201 any authority, commission or instrumentality of the United States  
202 which federal law exempts from federal income tax but does not  
203 exempt from state income taxes, (iv) to the extent properly includable  
204 in determining the net gain or loss from the sale or other disposition of  
205 capital assets for federal income tax purposes, any loss from the sale or  
206 exchange of obligations issued by or on behalf of the state of  
207 Connecticut, any political subdivision thereof, or public  
208 instrumentality, state or local authority, district or similar public entity  
209 created under the laws of the state of Connecticut, in the income year  
210 such loss was recognized, (v) to the extent deductible in determining  
211 federal taxable income prior to deductions relating to distributions to  
212 beneficiaries, any income taxes imposed by this state, (vi) to the extent  
213 deductible in determining federal taxable income prior to deductions

214 relating to distributions to beneficiaries, any interest on indebtedness  
215 incurred or continued to purchase or carry obligations or securities the  
216 interest on which is exempt from tax under this chapter, (vii) expenses  
217 paid or incurred during the taxable year for the production or  
218 collection of income which is exempt from tax under this chapter, or  
219 the management, conservation or maintenance of property held for the  
220 production of such income, and the amortizable bond premium for the  
221 taxable year on any bond the interest on which is exempt from taxation  
222 under this chapter, to the extent that such expenses and premiums are  
223 deductible in determining federal taxable income prior to deductions  
224 relating to distributions to beneficiaries, [and] (viii) to the extent  
225 deductible in determining federal taxable income prior to deductions  
226 relating to distributions to beneficiaries, the deduction allowable as  
227 qualified domestic production activities income, pursuant to Section  
228 199 of the Internal Revenue Code, and (ix) to the extent not includable  
229 in federal taxable income prior to deductions relating to distributions  
230 to beneficiaries, the total amount of a lump sum distribution for the  
231 taxable year. (B) There shall be subtracted from the sum of such items  
232 (i) to the extent properly includable in gross income for federal income  
233 tax purposes, any income with respect to which taxation by any state is  
234 prohibited by federal law, (ii) to the extent allowable under section 12-  
235 718, exempt dividends paid by a regulated investment company, (iii)  
236 with respect to any trust or estate which is a shareholder of an S  
237 corporation which is carrying on, or which has the right to carry on,  
238 business in this state, as said term is used in section 12-214, the amount  
239 of such shareholder's pro rata share of such corporation's  
240 nonseparately computed items, as defined in Section 1366 of the  
241 Internal Revenue Code, that is subject to tax under chapter 208, in  
242 accordance with subsection (c) of section 12-217 multiplied by such  
243 corporation's apportionment fraction, if any, as determined in  
244 accordance with section 12-218, (iv) to the extent properly includable  
245 in gross income for federal income tax purposes, any interest income  
246 from obligations issued by or on behalf of the state of Connecticut, any  
247 political subdivision thereof, or public instrumentality, state or local  
248 authority, district or similar public entity created under the laws of the



249 state of Connecticut, (v) to the extent properly includable in  
250 determining the net gain or loss from the sale or other disposition of  
251 capital assets for federal income tax purposes, any gain from the sale  
252 or exchange of obligations issued by or on behalf of the state of  
253 Connecticut, any political subdivision thereof, or public  
254 instrumentality, state or local authority, district or similar public entity  
255 created under the laws of the state of Connecticut, in the income year  
256 such gain was recognized, (vi) any interest on indebtedness incurred  
257 or continued to purchase or carry obligations or securities the interest  
258 on which is subject to tax under this chapter, but exempt from federal  
259 income tax, to the extent that such interest on indebtedness is not  
260 deductible in determining federal taxable income prior to deductions  
261 relating to distributions to beneficiaries, (vii) ordinary and necessary  
262 expenses paid or incurred during the taxable year for the production  
263 or collection of income which is subject to taxation under this chapter,  
264 but exempt from federal income tax, or the management, conservation  
265 or maintenance of property held for the production of such income,  
266 and the amortizable bond premium for the taxable year on any bond  
267 the interest on which is subject to tax under this chapter, but exempt  
268 from federal income tax, to the extent that such expenses and  
269 premiums are not deductible in determining federal taxable income  
270 prior to deductions relating to distributions to beneficiaries, and (viii)  
271 the amount of any refund or credit for overpayment of income taxes  
272 imposed by this state, to the extent properly includable in gross  
273 income for federal income tax purposes for the taxable year and to the  
274 extent deductible in determining federal taxable income prior to  
275 deductions relating to distributions to beneficiaries for the preceding  
276 taxable year.

277 Sec. 5. Subsection (a) of section 12-711 of the general statutes is  
278 repealed and the following is substituted in lieu thereof (*Effective from*  
279 *passage*):

280 (a) The income of a nonresident natural person derived from or  
281 connected with sources within this state shall be the sum of the net  
282 amount of items of income, gain, loss and deduction entering into his

283 or her Connecticut adjusted gross income for the taxable year, derived  
284 from or connected with sources within this state, including: (1) His or  
285 her distributive share of partnership income, gain, loss and deduction,  
286 determined under section 12-712; [, and] (2) his or her pro rata share of  
287 S corporation income, gain, loss and deduction, determined under  
288 section 12-712; [, and] (3) his or her share of estate or trust income,  
289 gain, loss and deduction, determined under section 12-714; and (4) his  
290 or her compensation from nonqualified deferred compensation plans  
291 attributable to services performed within the state, including, but not  
292 limited to, compensation required to be included in federal gross  
293 income under Section 457A of the Internal Revenue Code.

294 Sec. 6. Subsections (b) and (c) of section 12-711 of the general  
295 statutes are repealed and the following is substituted in lieu thereof  
296 (*Effective from passage and applicable to taxable years commencing on or after*  
297 *January 1, 2014*):

298 (b) (1) Items of income, gain, loss and deduction derived from or  
299 connected with sources within this state shall be those items  
300 attributable to: (A) The ownership or disposition of any interest in real  
301 property in this state or tangible personal property in this state, as  
302 determined pursuant to subdivision (5) of this subsection; (B) a  
303 business, trade, profession or occupation carried on in this state; (C) in  
304 the case of a shareholder of an S corporation, the ownership of shares  
305 issued by such corporation, to the extent determined under section 12-  
306 712; or (D) winnings from a wager placed in a lottery conducted by the  
307 Connecticut Lottery Corporation, if the proceeds from such wager are  
308 required, under the Internal Revenue Code or regulations adopted  
309 thereunder, to be reported by the Connecticut Lottery Corporation to  
310 the Internal Revenue Service.

311 (2) Income from intangible personal property, including annuities,  
312 dividends, interest and gains from the disposition of intangible  
313 personal property, shall constitute income derived from sources within  
314 this state only to the extent that such income is from (A) property  
315 employed in a business, trade, profession or occupation carried on in

316 this state, or (B) winnings from a wager placed in a lottery conducted  
317 by the Connecticut Lottery Corporation, if the proceeds from such  
318 wager are required, under the Internal Revenue Code or regulations  
319 adopted thereunder, to be reported by the Connecticut Lottery  
320 Corporation to the Internal Revenue Service.

321 (3) Deductions with respect to capital losses and net operating losses  
322 shall be based solely on income, gain, loss and deduction derived from  
323 or connected with sources within this state, under regulations adopted  
324 by the commissioner, but otherwise shall be determined in the same  
325 manner as the corresponding federal deductions.

326 (4) Income directly or indirectly derived by an athlete, entertainer or  
327 performing artist from closed-circuit and cable television transmissions  
328 of an event, other than events occurring on a regularly scheduled basis,  
329 taking place within this state as a result of the rendition of services by  
330 such athlete, entertainer or performing artist shall constitute income  
331 derived from or connected with sources within this state only to the  
332 extent that such transmissions were received or exhibited within this  
333 state.

334 (5) For purposes of subparagraph (A) of subdivision (1) of this  
335 subsection, "interest in real property in this state" includes an interest  
336 in an entity, and "entity" means a partnership, limited liability  
337 company or S corporation that owns real property that is located  
338 within this state and has a fair market value that equals or exceeds fifty  
339 per cent of all the assets of the entity on the date of sale or disposition  
340 by a nonresident natural person of such person's interest in the entity.  
341 Only those assets that the entity owned for at least two years prior to  
342 the date of the sale or disposition of the person's interest in the entity  
343 shall be used in determining the fair market value of all the assets of  
344 the entity on the date of such sale or disposition. The gain or loss  
345 derived from Connecticut sources from such person's sale or  
346 disposition of an interest in such entity is the total gain or loss for  
347 federal income tax purposes from such sale or disposition multiplied  
348 by a fraction, the numerator of which is the fair market value of all real

349 property located in this state owned by the entity on the date of such  
350 sale or disposition, and the denominator of which is the fair market  
351 value of all the assets of the entity on the date of such sale or  
352 disposition.

353 (c) (1) If a business, trade, profession or occupation is carried on  
354 partly within and partly without this state, as determined under rules  
355 or regulations of the commissioner, the items of income, gain, loss and  
356 deduction derived from or connected with sources within this state  
357 shall be determined by apportionment under such rules or regulations  
358 and the provisions of this subsection.

359 (2) The proportion of the net amount of the items of income, gain,  
360 loss and deduction attributable to the activities of the business, trade,  
361 profession or occupation carried on in this state shall be determined by  
362 multiplying the net amount of the items of income, gain, loss and  
363 deduction of the business, trade, profession or occupation by the  
364 average of the percentages of property, payroll and gross income in  
365 this state. The gross income percentage shall be computed by dividing  
366 the gross receipts from sales of property or services earned within this  
367 state by the total gross receipts from sales of property or services,  
368 whether earned within or without this state. Gross receipts from sales  
369 of property are considered to be earned within this state when the  
370 property is delivered or shipped to a purchaser within this state,  
371 regardless of the F.O.B. point or other conditions of the sale. Gross  
372 receipts from sales of services are considered to be earned within the  
373 state when the services are performed by an employee, agent, agency  
374 or independent contractor chiefly situated at, connected by contract or  
375 otherwise, with or sent out from, offices or branches of the business,  
376 trade, profession or occupation or other agencies or locations situated  
377 within this state.

378 Sec. 7. Section 12-432c of the general statutes is repealed and the  
379 following is substituted in lieu thereof (*Effective October 1, 2014*):

380 (a) If any cumulative monthly financial statement issued by the  
381 Comptroller pursuant to section 3-115 after September 9, 2009, and

382 before January 1, 2010, indicates that the estimated gross tax revenue  
 383 to the General Fund, to the end of the fiscal year ending June 30, 2010,  
 384 is at least one per cent less than the estimated gross tax revenue to the  
 385 General Fund for said fiscal year, included in public act 09-3 of the  
 386 June special session pursuant to section 2-35, the amendments made to  
 387 the provisions of subdivisions (1) and (3) of section 12-408, subdivision  
 388 (1) of section 12-411, subsection (c) of section 12-411b and [subdivision  
 389 (3)] subsection (c) of section 12-414, as amended by this act, pursuant  
 390 to sections 108 to 112, inclusive, of public act 09-3 of the June special  
 391 session, shall not take effect.

392 (b) If any cumulative monthly financial statement issued by the  
 393 Comptroller pursuant to section 3-115 after January 1, 2010, and on or  
 394 before June 30, 2010, indicates that the estimated gross tax revenue to  
 395 the General Fund, to the end of the fiscal year ending June 30, 2010, is  
 396 at least one per cent less than the estimated gross tax revenue to the  
 397 General Fund for said fiscal year, included in public act 09-3 of the  
 398 June special session pursuant to section 2-35, (1) the amendments  
 399 made to the provisions of subdivisions (1) and (3) of section 12-408,  
 400 subdivision (1) of section 12-411, subsection (c) of section 12-411b and  
 401 [subdivision (3)] subsection (c) of section 12-414, as amended by this  
 402 act, pursuant to sections 108 to 112, inclusive, of public act 09-3 of the  
 403 June special session, shall, on and after July 1, 2010, be inoperative and  
 404 have no effect, and (2) the provisions of said subdivisions and  
 405 subsection of said sections of the general statutes, revision of 1958,  
 406 revised to December 31, 2009, shall be effective on and after July 1,  
 407 2010.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2014</i>	12-7a
Sec. 2	<i>October 1, 2014</i>	12-414
Sec. 3	<i>from passage</i>	New section

Sec. 4	<i>from passage and applicable to taxable years commencing on or after January 1, 2014</i>	12-701(a)(10)
Sec. 5	<i>from passage</i>	12-711(a)
Sec. 6	<i>from passage and applicable to taxable years commencing on or after January 1, 2014</i>	12-711(b) and (c)
Sec. 7	<i>October 1, 2014</i>	12-432c

**FIN**      *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

## **OFA Fiscal Note**

### **State Impact:**

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 15 \$</b>	<b>FY 16 \$</b>
Department of Revenue Services	GF - Cost	Less than 10,000	Less than 10,000
Department of Revenue Services	GF - Revenue Gain	Potential	Potential
Department of Revenue Services	GF - Revenue Impact	Uncertain	Uncertain

**Municipal Impact:** None

### **Explanation**

**Sections 1, 2 & 7** have no fiscal impact because the Department of Revenue Services (DRS) has the knowledge and resources to carry out these duties within the normal course of business.

**Section 3** results in a potential revenue gain to the extent that access to more accurate and timely bank asset information increases collection activity related to delinquent accounts. **Section 3** also results in a cost of less than \$10,000 annually to DRS to contract with banks and other financial institutions.

**Section 4** results in an uncertain revenue gain from the inclusion of certain lump sum distributions in the taxable base on trust and estate income prior to applying allowable deductions. The magnitude of the revenue gain is uncertain as it is dependent on the prevalence of such lump sum distributions occurring in trusts and estates.

**Section 5** results in a potential revenue gain to the extent that there are tax filers affected by the federal repatriation of certain off-shore income who are no longer Connecticut residents.

**Section 6** results in an uncertain revenue impact from extending the state income tax to certain nonresident gains or losses related to real property in Connecticut. The actual revenue impact is dependent on whether this extension actually encompasses income gains or losses, and their respective magnitude.

**Section 6** also results in an uncertain revenue impact from apportioning sales by pass-through entities to Connecticut based on the location of the customer rather than the origin of the sale. The actual revenue impact is dependent on the prevalence of Connecticut-based customers versus sales.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.



**OLR Bill Analysis****sSB 369*****AN ACT CONCERNING CHANGES TO DEPARTMENT OF REVENUE SERVICES STATUTES.*****SUMMARY:**

This bill:

1. authorizes the Department of Revenue Services (DRS) commissioner to publicly list the people for whom he denied, revoked, or suspended a license, permit, or certificate;
2. requires him to state on the publicly available delinquent taxpayers list why he intends to remove a name from the list;
3. moves up the deadline for remitting monthly sales taxes and filing sales tax returns from the last to the 20<sup>th</sup> day of the month following the monthly return period and authorizes the commissioner to require weekly sales tax returns from retailers that are delinquent in remitting the tax;
4. requires the commissioner to exchange information about delinquent taxpayers with financial institutions;
5. requires trusts and estates, when calculating their Connecticut income tax, to add certain lump sum distributions to their Connecticut fiduciary adjustment;
6. subjects to Connecticut's personal income tax the income nonresidents receive from (a) nonqualified deferred compensation plans attributable to service performed here and (b) sale or transfer of shares in a business that owns real property in Connecticut; and

7. modifies how nonresidents' business income must be apportioned to Connecticut.

The bill also makes technical and conforming changes.

EFFECTIVE DATE: Various, see below.

## **§ 1 — DRS TAXPAYER LISTS**

### ***Listing Actions Regarding Licenses, Permits, and Certificates***

The bill allows the DRS commissioner to create a public list of specific enforcement actions he took regarding licenses, permits, or certificates. He may list each person whose (1) application for a license, permit, or certificate was denied or (2) license was suspended, revoked, or not renewed. If he publishes the list, the commissioner must arrange it by the type of tax and may add the date he took the actions and the reasons for taking them.

### ***Including Reasons for Removing a Taxpayer's Name from the Delinquent Taxpayer List***

By law, the DRS commissioner must maintain a publicly available list of delinquent taxpayers. The bill requires that, before removing a name from the list, the commissioner indicate on it his reasons for doing so. He must specifically indicate if the delinquency was (1) resolved by negotiated settlement, (2) paid in full, or (3) designated as uncollectable.

EFFECTIVE DATE: July 1, 2014

## **§§ 2 & 7 — SALES TAX**

### ***Remittance Deadline***

The bill moves up the deadline for remitting monthly sales taxes and filing sales tax returns from the last day to the 20<sup>th</sup> day of the month following the month covered by the return.

### ***Weekly Remittance for Delinquent Parties***

The bill allows the commissioner to require retailers that fail to remit the tax on time to file returns and pay the tax weekly. These

weekly returns are due by the Wednesday following the end of the weekly period the return covers. The commissioner must notify affected retailers in writing, specifying how they must remit the tax. He must require weekly remittance for one year, starting on the notice's date.

Current law allows the commissioner to require parties collecting sales taxes to remit them for other than monthly or quarterly periods. Under the bill, if a weekly period straddles two months, retailers must still remit the tax for a week. In addition, retailers required to remit the tax on a weekly basis must also file required monthly or quarterly returns.

Retailers required to remit taxes on a weekly basis are subject to the law's penalties for failing to remit them, including revocation of their sales tax permits.

EFFECTIVE DATE: October 1, 2014

### **§ 3 — IDENTIFYING DELINQUENT TAXPAYERS' ASSETS**

The bill requires the DRS commissioner to contract with financial institutions doing business in Connecticut to exchange information about taxpayers who owe state taxes. Such institutions include banks, credit unions, benefit associations, insurance companies, safe deposit companies, money market mutual funds, and other similar entities authorized to do business here.

Under the contract, the commissioner must provide to these institutions (1) each delinquent taxpayer's name, Social Security number, or other taxpayer identification numbers and (2) the amount of taxes due and payable for which every administrative or judicial remedy has been exhausted. Within 90 days after receiving this list, the financial institution must provide the commissioner with a list of its account holders appearing on the commissioner's list, along with the account holder's Social Security number or taxpayer identification number and a statement about whether their account balance exceeds \$1,000.

The bill waives the existing statutory restrictions against releasing taxpayer information when the commissioner exchanges the information with a financial institution. It also relieves contracting institutions from liability to anyone for disclosing customer information to the commissioner or for any other good faith actions they take to comply with the bill.

EFFECTIVE DATE: Upon passage

#### **§ 4 — CONNECTICUT FIDUCIARY ADJUSTMENT**

When a trust or estate taxpayer determines its Connecticut adjusted gross income for state income tax purposes, the bill requires it to add any lump sum distributions it receives during the tax year. The required addition is any amount of the distribution that is not included in the trust's or estate's federal taxable income before deductions for distributions to beneficiaries.

EFFECTIVE DATE: Upon passage and applicable to taxable years beginning on or after January 1, 2014.

#### **§§ 5-6 — NONRESIDENT INCOME DERIVED FROM CONNECTICUT SOURCES**

##### ***Nonqualified Deferred Compensation Plans***

The bill extends the state income tax to nonresidents' income from nonqualified deferred compensation plans attributable to services performed in Connecticut. Such nonqualified plans are those under which an employer agrees to defer a portion of an employee's wages until a specified future date, thus delaying the employee's tax liability until the deferred amount is paid. Under the bill, the income subject to Connecticut's tax includes such income that is taxable for federal income tax purposes.

EFFECTIVE DATE: Upon passage

##### ***Sale or Disposition of Property Interest in an Entity***

The bill requires nonresidents to pay Connecticut income tax on gains or losses from the sale or disposition of an interest in an entity

(i.e., partnership, limited liability company, or S corporation) that owns certain real property in Connecticut.

Under the bill, all or a portion of the gain or loss from a nonresident taxpayer's sale or disposition of an interest in the entity is considered taxable in Connecticut if the entity owns real property in the state valued at 50% or more of the fair market value of the entity's total assets in the preceding two years. The Connecticut gain or loss from the transaction is the total federal gain or loss multiplied by the ratio of the fair market value of the entity's Connecticut real property to that of its total assets, as of the transaction date.

EFFECTIVE DATE: Upon passage and applicable to taxable years beginning on or after January 1, 2014.

### ***Apportioning Nonresident Business Income***

The bill modifies how nonresidents' business income is apportioned to Connecticut for income tax purposes by changing the way in which certain sales are sourced to Connecticut.

By law and unchanged by the bill, if a business is carried on partly in and partly outside of Connecticut, its gains and losses derived from or connected with Connecticut must be apportioned to the state. The business' proportion of net income, gain, loss, and deduction sourced to Connecticut equals its average percentage of property, payroll, and gross income in the state.

By law, a business' gross income percentage is calculated by dividing its gross Connecticut sales by its total sales. Under current law, property and service sales are sourced to Connecticut if they are negotiated or performed by an employee, agent, agency, or independent contractor chiefly situated at, contracted with, or sent from the business' Connecticut offices or branches (Conn. Agencies Regs. § 12-711(c)-4). The bill instead sources property sales to Connecticut if the property is delivered or shipped to a purchaser in the state, regardless of the FOB point (i.e., point at which title for the goods transfers to the buyer) or other conditions of the sale.

EFFECTIVE DATE: Upon passage and applicable to taxable years beginning on or after January 1, 2014.

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea     49     Nay   1     (03/25/2014)